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S E C R E T SECTION 01 OF 03 ABU DHABI 001389

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TREASURY FOR U/S LEVEY

NSC FOR DAVID STEVENS

E.O. 12958: DECL: 08/19/2019

TAGS: ECON KTFN PTER ETTC PREL PARM AE IR

SUBJECT: (S//NF) IN TOUR OF THE HORIZON WITH U/S LEVEY, UAE

FM ABDULLAH BIN ZAYED RECOMMENDS PRESSURE ON IRAN: "NOT

ENOUGH IS BEING DONE"

REF: ABU DHABI 1388

Classified By: CDA Martin Quinn for reasons 1 (b) and (d).

(1) (S//NF) Summary: In a wide-ranging discussion with Treasury Under Secretary Stuart Levey, UAE Foreign Minister Abdullah bin Zayed (AbZ) urged the U.S. to maintain pressure on Iran, warning that the international community is not moving fast enough. While cautioning on the limits of overt UAE action due to its inherent vulnerability and regional security concerns, AbZ offered to continue quiet outreach to European and other banks doing business with Iran. Furthermore, he welcomed U.S. legislation singling out companies doing business with Iran as a mechanism to force these enterprises in the UAE to choose between the U.S. and Iran. AbZ also complained of substantial Qatari financial support to Hamas, a protest recently echoed by Palestinian Prime Minister Salem Fayyad, and urged massive Western support for Palestinian President Abu Mazen. End Summary.

(2) (S//NF) Text: On 13 August 2007, Treasury Under Secretary Stuart Levey met with UAE Foreign Minister Abdullah

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bin Zayed Al Nahyan (AbZ) to discuss current developments regarding U.S. and international efforts to financially isolate Iran. Levey was accompanied by Embassy CDA Martin Quinn and Treasury Attach Matthew Epstein. AbZ was accompanied by office director Rashed Al Hareb and MFA official Saeed Al Muhairi. During the dinner meeting, AbZ raised a number of regional issues, including: increasing support for Palestinian Prime Minister Abu Mazen; the new U.S. Executive Order targeting instability in Lebanon; and recent U.S. and European attention to sovereign wealth funds.

(S//NF) IRGC Sanctions: &We Must Move Fast, as Iran Is Moving Faster8

(3) (S//NF) Regarding U.S. and international efforts to pressure Iran, AbZ expressed concern that the Iranians seemed to be "moving much faster" than the measures to put them in check. AbZ urged the USG to push forward with additional financial measures, either within the UN, with key allies or unilaterally if necessary. AbZ stressed the need to maintain

momentum with timely actions and questioned the ability of the international community to force a change in Iranian behavior so long as Iran generated significant cash flow from oil sales.

(4) (S//NF) AbZ believes that Iran is feeling the squeeze from the UN and U.S. actions. However, he opined that the gas riots do not indicate broad hardship in Iran. ("Iran is playing it smart -- essentially making money out of the situation.") Alternatively, AbZ speculated that the gas riots ultimately benefited the Iranian regime by increasing reserves, reducing imports and demonstrating to the world Iran's need for non-hydrocarbon sources of energy (nuclear power).

(5) (S//NF) U/S Levey advised that the U.S. would like to see additional Iranian banks added to a possible future UNSCR as a means of increasing financial pressure on Iran. In particular, U/S Levey noted that Bank Melli could be at risk of UN action due to its relationship with Iran's Islamic Revolutionary Guard Corps (IRGC), an organization whose leadership was listed on UNSCR 1747, and he passed information outlining this relationship. U/S Levey suggested that the UAE clamp down on Melli and Saderat's UAE branches in any way possible. AbZ noted that a UN resolution would provide the UAE with the necessary cover to act against the banks.

(S//NF) AbZ Confirms Quiet Emirati Outreach to European Banks on Iran

(6) (S//NF) Following up on a list of banks provided by the USG, AbZ confirmed that Emirati investment managers had

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quietly reached out to several of the listed banks. Expressing curiosity about "which (international) banks had reacted badly," he queried whether Treasury had monitored any reaction. U/S Levey thanked AbZ for this important effort and noted that at least three European banks on the list recently announced the cutting of ties with Iran. AbZ requested from U/S Levey an updated list of institutions of continuing concern.

(S//NF) U/S Levey Warns of Possible Increased Iranian Financial Activity in Dubai

(7) (S//NF) U/S Levey raised the concern that Iran may increasingly turn to UAE-based banks for financial services as major international banks wind down their business with Iran. U/S Levey specifically raised Emirates Bank International(EBI) as an institution that may be seeking to exploit the void left by such displacement. U/S Levey stressed the USG's desire to work cooperatively on this issue. Indicating he had been briefed by Central Bank Governor Sultan Nasser Al Suwaidi and MbZ advisor Yousef Al Otaiba on the day's earlier conversations (reftel), AbZ welcomed U/S Levey's message on EBI and encouraged additional warnings and information exchanges. (Note: AbZ also offered that UAE had received information from Swiss banks that Iranian capital was moving to China, particularly to China's &Army Bank8 (NFI). End Note.)

(8) (S//NF) AbZ emphasized the UAE's characteristic preference to be &less visible8 and pledged to begin quietly approaching UAE-based banks. AbZ offered that he would warn the banks to be vigilant and cautious when dealing with Iran, but that he could not tell them to cut off Iran completely without UN cover. Talking tough, ABZ pledged that

no matter how much trade exists between Dubai and Iran, the UAE will take "huge risks" quietly and close any loopholes that Iran may attempt to exploit. "The last thing we want," declared AbZ, "is for Iran to move its money from Europe and Switzerland to China and then to Dubai." U/S Levey reminded AbZ that "nothing would shock Iran more than to have difficulty moving its money into the UAE."

(S//NF) AbZ Welcomes USG Unilateral Secondary Sanctions Legislation

(9) (S//NF) Demonstrating his commitment to maintaining pressure on Iran, and consistent with his need for external cover to act, AbZ suggested that Treasury encourage the U.S. Congress to pass unilateral secondary sanctions on companies dealing with Iran, including Emirati companies. Such legislation would require Emirati companies to choose between Iran and the United States, an action-forcing event that would be more palatable to the government in Abu Dhabi.
(Comments: Such legislation would likely have a disproportionate effect on Dubai-based businesses as Dubai maintains closer commercial ties to Iran compared to Abu Dhabi's more limited exposure. AbZ appeared unconcerned about Dubai's commercial relations with Iran. End Comment.)

(S//NF) A Nuclear Iran: Unthinkable for UAE

(10) (S//NF) AbZ reiterated a familiar UAE leadership declaration that a nuclear Iran presented a &life or death& situation for the UAE that cannot be allowed: "We cannot live with Iranian nuclear bombs." AbZ speculated that a nuclear weapon would embolden Iran to further destabilize the region directly by committing terrorist attacks and indirectly by supporting terrorist proxies in Iraq, Lebanon and the Palestinian territories. Continuing in this vein, AbZ nevertheless remarked that if the situation were resolved peacefully, &so be it.⁸ (Comment: AbZ's tough talk with regard to Iran echoes familiar statements -- also in private -- by his older brother MbZ, but should not be taken as UAEG

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welcoming of a military resolution of the Iranian nuclear issue. Being caught in the crossfire between larger powers is a perennial Emirati concern and anxiety -- perceived as a tangible threat to the UAE's stable, comfortable way of life.
End Comment.)

(S//NF) Qatar, Hamas, and Abu Mazen

(11) (S//NF) Changing the subject to Hamas and the Palestinian territories, AbZ noted that Qatar was providing substantial financial aid to Hamas, including a possible USD \$10 million payment to Hamas leader Khaled Mishal in Damascus. AbZ said that funds are sent to Hamas from the Government of Qatar itself, as well as Qatar-based charities. Professing not to know "where the Qatars stand politically," AbZ invited the USG to &do something⁸ about this problem.
(Note: On 10 August 2007, Palestinian Prime Minister Salem Fayyad similarly complained to U/S Levey of Qatari support for Hamas and requested U.S. assistance in stopping this activity. End Note.) AbZ opined that the Hamas take-over of Gaza was in fact a positive short-to-medium-term development, ridding the international community of the burden of dealing with "the poverty and radicalism in Gaza" for a period, while providing a &golden opportunity⁸ to engage the "more rational" Palestinians in the West Bank.

(12) (S//NF) AbZ emphasized the urgent need for the Arab and international community to continue encouraging the Israelis and Palestinians in the West Bank to work together. AbZ highlighted the centrality of the Saudis on this issue and encouraged strong Saudi support for Abu Mazen: "their support would give him courage to continue to engage the Israelis." AbZ believes that for Abu Mazen to succeed, he needs either a substantial security arrangement with the Israelis, or a massive aid package (far greater than the USD \$500 million annually provided by Arab countries), preferably led by the U.S. and Europe. AbZ: "If assistance is not substantial, it will be meaningless. If it comes only from the Arabs, it will not be enough. Nothing the Arabs do will seem sufficient. More help and support must come from America and Europe."

(S//NF) Success of Lebanon Stability Executive Order

(13) (S//NF) Turning north to the Levant, AbZ strongly praised the USG on the recent Executive Order targeting the forces of instability in Lebanon. AbZ noted that according to his contacts, many Lebanese politicians and businessmen were very worried by the actions, particularly as the order was issued by the President of the United States and just before the recent elections in Lebanon.

(S//NF) Sovereign Wealth Funds: Another Dubai Ports in the Making?

(14) (S//NF) Concluding on an issue close to the heart of Abu Dhabi, AbZ revealed that the increasing attention on Sovereign Wealth Funds(SWF) in the U.S. and Europe is creating concerns in the UAE that a protectionist backlash could be on the horizon. AbZ emphasized the passive and non-political nature of the investment activity of Abu Dhabi's largest SWF, the Abu Dhabi Investment Authority(ADIA), and welcomed Treasury DAS Ahmed Saeed's upcoming visit to the UAE to discuss these issues in greater detail.

¶15. (U) Treasury has cleared this message.
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